Office of
INSPECTOR GENERAL

Semiannual Report

October 1, 1998 - March 31, 1999

UNITED STATES INTERNATIONAL TRADE COMMISSION

April 1999

INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

April 30, 1999

TO: THE COMMISSION AND THE UNITED STATES CONGRESS

I hereby submit this *Semiannual Report: October 1, 1998 - March 31, 1999*, which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission. The submission of this report is in accordance with the Inspector General Act of 1978, as amended (IG Act). Section 5 of the IG Act requires that the Chairman transmit this report to the appropriate committees or subcommittees of the Congress within 30 days of its receipt.

OIG issued four audit reports this period, addressing significant program and financial functions of the Commission. These were:

Evaluation of the Commission's Efforts to Prepare for Sunset Reviews. The Commission published rules and made sufficient efforts to locate historical documents, obtain staff, and provide for related expenses to conduct sunset reviews. The workyears, based on certain assumptions, were calculated fairly accurately. However, the workyear estimates were not based upon an adequate analysis of the transition duty orders and significantly overstated the resources needed. The Commission requested a much lower level of resources to conduct sunset reviews in the fiscal year 1999 budget justification.

Review of the Commission Methods Used to Compose Publications. Most reports, including those with the highest priority, were prepared by the program offices for printing. The Commission's Office of Publishing received about a third of all publications and only used the professional software package on half of those publications, which were mostly discretionary reports. The Office of Publishing spent a significant amount of resources "undoing" the format drafted by program staff.

Evaluation of the Commission's Preparation for the Year 2000. Commission efforts to address the Y2K problem were insufficient to ensure a reasonable level of risk to uninterrupted operation in the year 2000.

Audit of the USITC Financial Statements for Fiscal Years 1998 and 1997. The statements present fairly, in all material respects, the financial position of USITC. The internal control structure and its operation were considered to have two material weaknesses: accounting for fixed assets and accounts receivable.

In the prior period, OIG completed an investigation of the Commission's car pool subsidy program and found twelve subjects who were violating provisions of the program. Eleven subjects were given oral or written reprimands. Five of the subjects are making restitution totaling nearly $3,000.

OIG conducted an investigation regarding allegations concerning the Commission's procurement of an economic model. OIG found that the sole source justification incorrectly identified the proposal as unsolicited; the contract was only partially fulfilled in that the data provided was not in the requested format, Commission employees may have done some work that was to be delivered as part of the contract; and the Contracting Officer's Technical Representative had a relationship with the main contract employee which gave the appearance of impropriety. The possible ethics violation was referred to the Designated Agency Ethics Official for review.

During this period, OIG issued two inspection reports. In a *Review of Commission's Passport System's Security*, OIG found that within the limited parameters of this assessment, OIG was unable to penetrate into the *Passport* system or the system protected by *Passport*. In a *Followup Review of the Commission's Ability to Report on Performance Measurement Goals*, OIG found that the various office directors were either collecting data or making plans for virtually all performance indicators.

October 12 was the 20th anniversary of the passage of the IG Act. The President signed a joint resolution marking this milestone. This period also had substantial activity concerning the independence of OIGs, particularly those in designated agencies, which may need to be addressed by amendments to the IG Act.

I appreciate the support of all Commission employees in achieving the accomplishments set forth in this report.

Jane E. Altenhofen
Inspector General

COMMISSION PROFILE

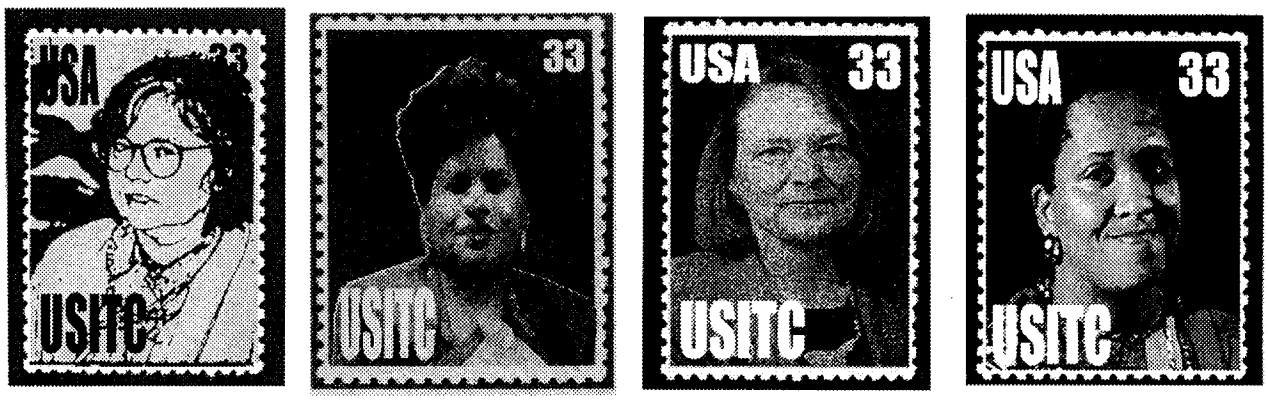
The Commission is a quasi-judicial, independent, nonpartisan agency established by Congress with broad investigative powers on matters of trade. The Commission has a unique mission to develop factual, objective research and information on a wide variety of matters pertaining to international trade. Major Commission activities include: determining whether U.S. industries are materially injured by reason of subsidized imports or imports sold at less than fair value; directing action against such unfair trade practices as patent, trademark, and copyright infringement; conducting studies on tariff and trade issues; and participating in the development of statistical data on imports, exports, and domestic production and the establishment of an international harmonized commodity code.

The Commission conducts investigations under several statutory provisions, generally upon petition or complaint, with respect to the impact of imports on U.S. industries. The Commission also provides advice and information, upon request, to the President and the Congress on tariff and trade matters. When appropriate, the Commission conducts public hearings and evaluates testimony and other information in making findings and recommendations. Decisions of the Commission under certain statutory provisions administered by the Commission are binding and subject to judicial review.

The Commission has six Commissioners, appointed by the President and confirmed by the Senate, who serve one term of nine years, unless appointed to fill an unexpired term. The Chairman and Vice Chairman are designated by the President and serve a two-year statutory term. No more than three Commissioners may be of the same political party, and the Chairman must be of a different political party than the Chairman of the immediately preceding term. All six positions on the Commission are currently filled.

During this period, no changes in the composition of the Commission occurred.

In Fiscal Year (FY) 1999, there are 394.5 positions funded at the $44.4 million level. All of the Commission employees are located in one building at 500 E Street, SW, Washington, D.C.



The Commission recognized four employees, including the Inspector General, in March 1999 for Women's History Month. From left to right, Elizabeth Root, Diane Whitfield-Gaines, Jane Altenhofen, and Monica Reed.

THE WHITE HOUSE

WASHINGTON

October 5, 1998

I am pleased to congratulate the Offices of Inspector General as our nation marks the 20th anniversary of the passage of the Inspector General Act.

When President Carter signed the Inspector General Act into law on October 12, 1978, not even the bill's sponsors fully realized how important the Inspectors General would become to the functioning of the federal government. Today, there are Offices of Inspector General in each of the major federal agencies. Your work has returned billions of dollars to the national treasury and has enabled federal managers to make important improvements to agency operations and public services.

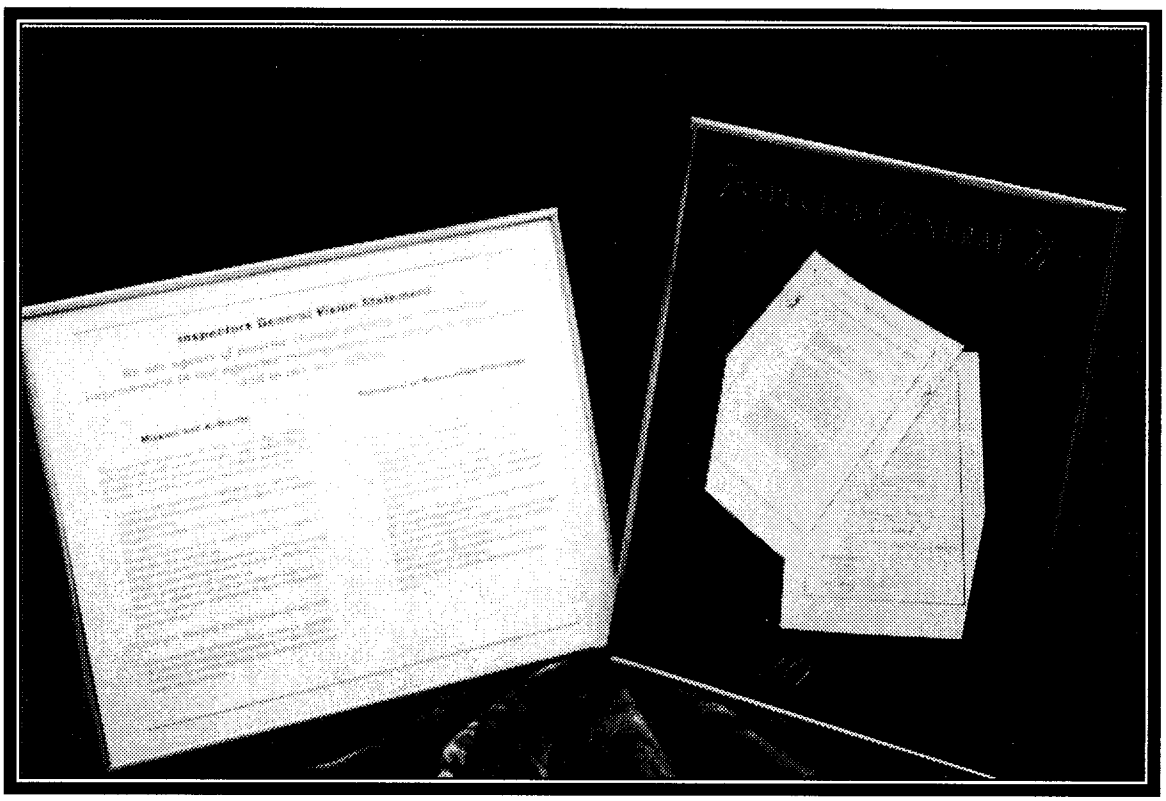
In many instances, your work has prevented attempts by companies and individuals to defraud the government. You have also worked with program managers to find ways to make federal programs less vulnerable to fraud. Through audits, inspections, investigations, and technical advice to management, you have made important and lasting contributions to the integrity and security of our government.

On behalf of the American people, I thank you and your staffs for your professionalism and commitment to excellence. As you mark this milestone, I extend best wishes for a wonderful anniversary celebration and every future success.

Bill Clinton

THE OFFICE OF INSPECTOR GENERAL

The Commission established the Office of Inspector General (OIG) pursuant to the 1988 amendments to the Inspector General Act (IG Act). The Inspector General reports directly to the Chairman, subject to the limitations of section 331 of the Tariff Act of 1930 (19 U.S.C. §1331). The Inspector General is responsible for directing and carrying out audits, investigations, and inspections relating to Commission programs and operations. The Inspector General also recommends and comments on proposed legislation, regulations, and procedures as to their economy, efficiency and effectiveness. Certain information and statistics that are required by section 5(a) of the IG Act to be included in the semiannual reports are summarized in Attachment A.



October 12, 1998, was the 20th Anniversary of IG Act, illustrated above in a commemorative poster next to the Inspectors General Vision Statement.

RESOURCES

FY 1999

An appropriation was enacted on October 21, 1998, providing $44,495,000 for salaries and expenses for FY 1999, although funding will terminate on June 15, 1999. OIG was allocated $75,000 for audit and review services in December 1998.

The final staffing plan, dated December 1, 1998, authorized three full-time equivalent positions for permanent staff in OIG based on a funding level for 430.5 full-time equivalents.

AUDIT ACCOMPLISHMENTS

Audits and Reviews

Four audit reports were issued during this period. These were:

- IG-01-99, **Evaluation of the Commission's Efforts to Prepare for Sunset Reviews;**
- IG-02-99, **Review of the Commission Methods Used to Compose Publications;**
- IG-03-99, **Evaluation of the Commission's Preparation for the Year 2000; and**
- IG-04-99, **Audit of the USITC Financial Statements for Fiscal Years 1998 and 1997.**

The audit reports are summarized in Attachment B.

As of March 31, 1999, ongoing audits included:

- Audit of the USITC Financial Statements for Fiscal Years 1999 and 1998; and
- Review of the Information Resources Management Function.

Sunset Reviews

In Audit Report IG-01-99, Evaluation of the Commission's Efforts to Prepare for Sunset Reviews, OIG found the Commission published rules and made sufficient efforts to locate historical documents, obtain staff, and provide for related expenses to conduct sunset reviews. Workload estimates were calculated fairly accurately, but were not based upon an adequate analysis of the transition duty orders. The estimates assumed that no sunset investigations would be terminated, and that 10 percent would be expedited but offset by more complicated cases. A detailed analysis of the orders to determine how many were likely to be terminated or expedited was not considered feasible because sufficient data was unavailable, and the cost of such an effort would outweigh the benefits. Further, any expedited reviews would be offset by reviews determined to be more complicated.

The assumption that a full review would be necessary for every sunset investigation was significant because a terminated review requires minimal Commission resources and an expedited review requires less than half the effort of a full review. OIG stated the historic pattern of title VII investigations was readily available, and provided an indication that some sunset reviews would be terminated.

The title VII figures would have provided a reasonable estimate of terminations. According to statistics prepared by the Office of Investigations, an average of 26 percent (ranging from 4 to 68 percent) of the title VII cases filed from 1980 through 1996 were terminated. Of these, eight percent were terminated before the preliminary Commission determination. Between July 1998 and March 1999, the Commission

initiated 56 grouped sunset reviews, covering 129 individual orders. Of these, 27 percent of the orders have been terminated. Statistics through December 31, 1998 show 17 percent of the reviews were expedited. The Commission had not determined to extend the time limit on any full reviews that were extraordinarily complicated as of March 31, 1999.

From October 11, 1998, through March 13, 1999, only four workyears were charged to the sunset code. Even if the workload increases substantially in the second half of the year, as is expected, the actual work years will be significantly less than the 54 workyears estimated by the Budget Committee and the 22 workyears adopted by the Commission for the budget justification.

Composition of Publications

In Audit Report IG-02-98, *Review of the Commission Methods Used to Compose Publications*, OIG found that the introduction of advanced word processing packages had affected the method of composing reports. The Commission Office of Publishing did not receive most reports for composition, and the professional software package was mostly used for composing discretionary reports. The Commission did not have a written policy on which documents were to be submitted to the Office of Publishing for composition, or the method to be used to compose documents.

The Commission publishes a number of documents every year as part of its mission. These documents are mostly investigative, trade, or staff reports prepared by the program offices. The Commission practice is to allow offices to decide whether and which documents will be sent to the Office of Publishing for composition. Nearly two-thirds of the publications were not sent to the Office of Publishing, including most reports with higher priority due to statutory requirements such as title VII reports and most section 332 reports.

	January 1, 1998 - March 31, 1999			
	Program Office	Publishing		
	Total-WP	Total	WP	INT
Publication:				
Title VII Investigations	33	0	0	0
Section 337 Investigations	4	0	0	0
Section 332 Studies	17	7	1	6
Industry and Trade Summaries	1	15	15	0
International Economic Reviews	0	6	0	6
Industry Trade and Technology Reviews	4	1	1	0
Miscellaneous*	9	4	0	4
Total Documents	**68**	**33**	**17**	**16**

*Includes the 1998 Harmonized Tariff Schedules and Annual Report, a handbook on title VII provisions, a summary of statutes, guidelines for hearings, a directory of trade analysts, a list of Commission publications, and staff research studies.

Only a third of the FY 1999 Commission publications through April 1999 were composed by the Office of Publishing. Of those, only half were composed on a professional software package, and those were usually discretionary reports. The Office of Publishing spent a significant amount of resources "undoing" the format drafted by program staff.

Year 2000

In Audit Report IG-03-99, *Evaluation of the Commission's Preparation for the Year 2000*, OIG found that the extent of the impact of the year 2000 (Y2K) problem on Commission operations was not documented or well understood. Neither of the first two phrases (awareness or assessment) in addressing the Y2K problem had been completed on a Commission-wide basis. The Commission had not implemented an institutional approach and overall Commission efforts to address the Y2K problem were insufficient to ensure a reasonable level of risk to uninterrupted operation in the year 2000.

The Chairman designated the Director of Operations as the agency official to oversee the Commission's efforts to prepare for Y2K. The Director assembled a project team, and reports to the Commission biweekly on progress.

According to a March 18, 1999, article in the Washington Post, the Marine Corps, equipped with riot shields and concertina wire, trained for handling civil unrest by *"government workers who are miffed that computer problems associated with the year 2000 computer problem prevent paychecks from being issued."*

Financial Statements

In Audit Report IG-04-99, *Audit of the USITC Financial Statements for Fiscal Years 1998 and 1997*, OIG issued a clean opinion as to the fairness of the USITC financial statements for the FYs ending September 30, 1998, and 1997. The auditors expressed the opinion that the statements of the financial position of USITC as of September 30, 1998, and 1997, present fairly, in all material respects, the financial position of USITC, and the results of its operations and its cash flows for the years then ended were in conformity with general accepted accounting principles, except that management had elected not to depreciate fixed assets.

The internal control structure and its operation were considered to have two material weaknesses. These were accounting for fixed assets and accounts receivable. In addition, several other areas of concern were reported in the management letter.

INSPECTIONS

Reports Issued

During this period two inspection reports were issued.

Passport System's Security

Report No. 01-99, *Evaluation of the Commission's Passport System's Security, December 24, 1998.* The Commission introduced a new remote-access facility called *Passport* in August 1998. The objective of this inspection was to evaluate the security of the *Passport* system and identify potential security risks. Within the limited parameters of this evaluation OIG was unable to penetrate into the *Passport* system or the system protected by *Passport*. However, certain vulnerabilities were identified that could potentially be exploited to obtain such access.

OIG suggested that the Director of Information Services remove the employee names found on the public servers, disable a system and two services, prevent the download of certain files, and remove an option for mail service. The Director of Information Services disabled a system as recommended, and agreed to disable one service. The other suggestions could not be implemented because the names and the files are public information, and one system with low risk cannot be separated from the service.

PASSPORT

Performance Measurement Goals

Report No. 02-99, *Followup Review of the Commission's Ability to Report on Performance Measurement Goals, December 24, 1998.* OIG initiated this inspection in October 1998 to verify and validate selected data sources and information collection systems that support the Commission's FY 1999 annual performance plan. OIG found considerable improvement over the form and content of the performance measurement goals contained in the 1997 Strategic Plan. The various office directors assigned responsibility for performance goals were collecting data or making plans for virtually all performance indicators. In a few instances, OIG found the data sources and information collection systems did not identify use by customers or critical dates needed to evaluate measurement of the performance goal. OIG also found a few instances where the performance goals and indicators could be clarified.

OIG suggestions included that the Director of Operations determine whether strategic goals for use by customers apply to the individual types of customers identified, or non-ITC use in general, and ensure data collection systems include all necessary dates to measure timeliness. The Director of Operations implemented changes that included modifying some customer use measures, and expanded some data collection systems. In addition, the next version of the Strategic Plan will include clarified language for some goals, and other goals may be revised or eliminated.

FRAUD, WASTE AND ABUSE

Investigations

A summary of investigative activity is presented below.

Case Workload		Referrals Processed		Investigative Results	
Open (10/01/98)	5	Received	2	Referrals for Prosecution	0
Initiated	2	Initiated Investigation	0	Referrals Declined for Prosecution	0
Closed	5	Referred to Another Agency OIG	0	Administrative Action	11
Open (3/31/99)	2	Evaluated but No Investigation Initiated	2		

Five cases were open at the beginning of this reporting period. Two cases were initiated during this reporting period. Five cases were closed this period, two of which were open as of September 30, 1998. The closed cases involved the purchases of business card supplies and T-shirts, health care fraud, falsification of data, and abuse of the car pool program.

Two cases remain open. These involve reimbursement of program functions and procurement of an economic model.

Economic Model

OIG conducted an investigation regarding allegations received on the Commission's procurement of an economic model. The allegations included that the contract was improperly sole sourced, the Commission did not receive the model described in the contract, and the relationship of the Contracting Officer's Technical Representative (COTR) with the contractor was improper.

OIG issued a report on the investigation on January 27, 1999. OIG found that the sole source justification incorrectly identified the proposal as unsolicited; the contract was only partially fulfilled in that the data provided was not in the requested format, Commission employees may have done some work that was to be delivered as part of the contract; and the COTR had a relationship with the main contract employee which gave the appearance of impropriety. The possible ethics violation was referred to the Designated Agency Ethics Official for review.

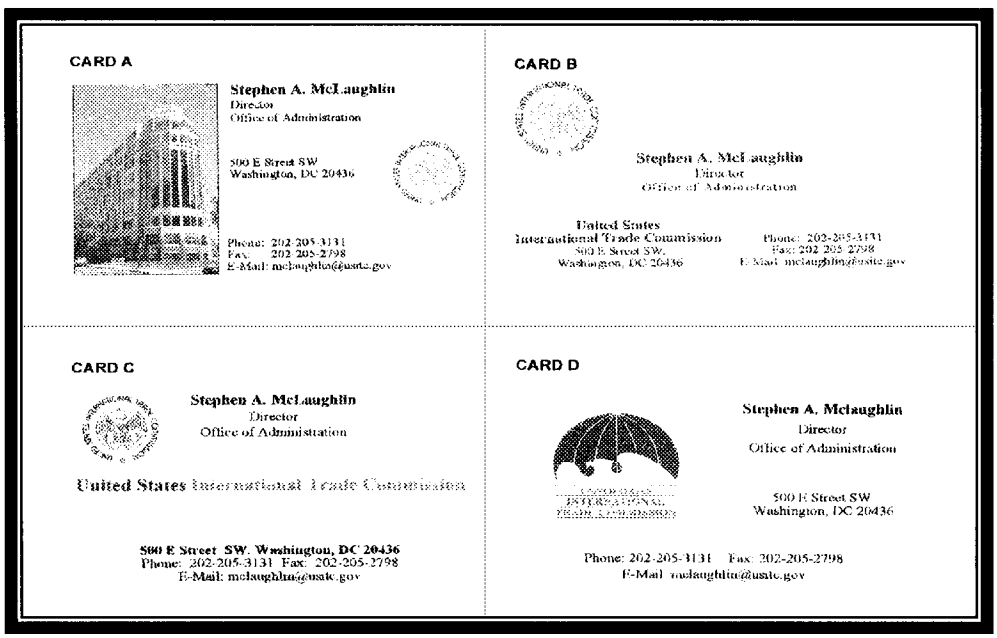
Car Pool

OIG completed its investigation of the Commission's car pool subsidy program and found twelve subjects who were violating provisions of the program. In the prior semiannual, we reported the U.S. Attorney's office declined to prosecute and all twelve subjects were referred to the appropriate office directors on September 2, 1998, for administrative disposition.

In October 1998, OIG was notified that the Commission gave five employees written reprimands and suspended them from participating in the program for one year from the date of the reprimand. One of these employees paid $711.36 in November as restitution. The other four employees agreed to pay $2134.08 in restitution via payroll deductions beginning in April 1999. Six additional employees received oral reprimands in September 1998. The Commission took no action with regard to one employee.

Business Cards

A purchase request for supplies to print business cards was questioned as an eligible expense. The General Accounting Office (GAO) had a long history of Comptroller General decisions holding that appropriated funds may not be used to purchase business cards except in limited circumstances. In August 1997, the Office of Legal Counsel, Department of Justice advised the General Services Administration that appropriations may be used to obtain business cards for suitable mission-related agency employees. In November 1998, GAO concurred that an agency head may reasonably determine that the appropriate use of business cards by agency employees who deal with outside organizations will further the agency's statutory mission and therefore constitutes a proper expenditure.



Business cards designed by the Office of Publishing.

Review of Legislation, Regulations, and Commission Policy

Legislation and Regulations

As set forth in the IG Act, a duty and responsibility of the Inspector General is to review existing and proposed legislation and regulations relating to programs and operations of the Commission. OIG reviewed proposed legislation and commented on one notice applicable to the Commission's rules of practice and procedure.

Proposed Legislation

HR 436. The House passed a bill titled *"Government Waste, Fraud, and Error Reduction Act of 1999"* on February 24, 1999. The bill had provisions on non-tax debt and debt collection, including that agency heads must report annually on delinquent non-tax debt over $1 million and the inspector general must review the report. OIG is considering the bill as part of an on-going inspection of the Commission's efforts to collect non-tax debt.

HR 305. A bill titled *"Office of Inspector General Oversight Council"* was introduced in the House of Representatives on January 6, 1999. The bill would amend the IG Act by adding a council to oversee and review OIG actions and activities. OIG reviewed the bill which was referred to the Committee on Government Reform.

Privacy Act

Privacy Act Report on Revised and New Systems of Records. On December 9, 1998, OIG reviewed the draft notice on Privacy Act System of records and provided comments on the security access records, parking and mass transit subsidy records, and computer access records. OIG comments were primarily to clarify or simplify the notice. Most of the comments were incorporated into the final notice.

OIG suggested that the publication of the notice would be an opportune time to amend the Commission's Freedom of Information Act (FOIA) regulations as suggested in OIG Inspection Report 02-98, Review of Commission Policies for Marking Controlled Data. The FOIA regulations need to be amended to permit contractors, bidders, and others who have an administrative relationship with the Commission to receive notice before release of their submission under FOIA by marking the submission, and including an appropriate reference to nondisclosable confidential business information. This suggestion was not incorporated by the Office of General Counsel. The Office was in the process of drafting amendments to the Commission's rules to address a number of issues. The OIG suggestions have reportedly been incorporated into the draft.

Commission Policy

The Inspector General also has the responsibility to review all proposed Commission directives. OIG evaluates the impact that new or revised procedures will have on economy and efficiency of programs and operations, and to minimize the potential for fraud or abuse. OIG reviewed and commented on 14 draft internal rules. Subjects included the ethics program, publishing Commission publications, preparing internal directives, attendance and leave, staff research papers, printing business cards, preparing action jackets, records management, funds control, and mission and functions statements for the Offices of Administration, Publishing, and Facilities Management.

Policy for OIG

In December 1998, the National Archives and Records Administration (NARA), withdrew General Records Schedule 22, Inspector General Records, which authorized the disposal of the Inspector General files. OIG revised the Privacy Act notice to reflect NARA's withdrawal of the schedule. OIG revised the Retention and Disposal sections of ITC-3, Office of Inspector General Investigative Files (General) and ITC-4, Office of Inspector General Investigative Files (Criminal).

OIG also drafted a records schedule in March 1999 in accordance with new guidance from NARA. The draft was submitted to the agency records management officer who is coordinating an update of the Commission schedules with NARA.

Deputation

OIG reviewed the U.S. Marshals Service revised Policy Directive 99-13, entitled "Special Deputation Program." The revised policy included a new requirement that each deputized agent certify that he or she has "prior law enforcement experience of at least one year." This change affects inspectors general with deputized agents, which does not currently include the Commission.

LIAISON ACTIVITIES

ECIE/PCIE

The Inspector General is an active member of the inspector general community. She is a member of the Executive Council on Integrity and Efficiency (ECIE), which consists primarily of the inspectors general at the 34 Federal entities designated in the 1988 amendments to the IG Act. She also participates in activities sponsored by the President's Council on Integrity and Efficiency (PCIE), which consists primarily of the Presidentially-appointed inspectors general. The ECIE and PCIE have identical functions and responsibilities to promote integrity and efficiency and to detect and prevent fraud, waste, and abuse in Federal programs.

OIG Independence

The Inspector General is a member of an ad hoc committee addressing issues on auditor independence. In prior periods she participated in efforts to persuade the American Institute of Certified Public Accountants (AICPA) to revise language proposed by the AICPA's Ethics Committee on independence which excluded some statutory government auditors. The suggested language was not incorporated into the AICPA exposure draft issued for comments. Additional comments were submitted and the final ruling had not been issued as of March 31, 1999.

The committee is also coordinating with GAO staff about desired changes in the Government Auditing Standards definitions of independence. At a February 1999 meeting, the GAO Advisory Committee reached consensus that ECIE inspectors general should be included in the independence section of the Standards, but have not agreed on specific language.

OIG is also following two cases that relate to OIG independence. The cases concern the issue of whether an OIG is a "representative of the agency" for purposes of the Federal Weingarten rule. Generally, the Federal Weingarten rule gives an employee the right to request union representation during any agency interview in which the employee has a reasonable belief that the interview will result in disciplinary action. At the Commission, OIG voluntarily adopted a policy to allow union representatives to attend OIG interviews. Statutory interpretations that an OIG employee is a representative of the agency are generally viewed as impeding OIG investigative independence and directly contradicting the statutory structure of the IG Act.

One case was argued before the Supreme Court on March 23, 1999. On behalf of the National Aeronautics and Space Administration (NASA) and NASA OIG, the Solicitor General argued that a NASA OIG investigator was not an agency representative and was insulated from agency control by the structure of the IG Act. The second case was heard by an Administrative Law Judge (ALJ) of the Federal Labor Relations Authority. The ALJ found the National Labor Relations Board (NLRB) OIG violated an employee's Weingarten rights. The ALJ would not defer his ruling until after the Supreme Court addressed these issues because he found that the case before the Supreme Court involved a presidentially-appointed inspector general in contrast to the NLRB whose inspector general is appointed by the head of the agency.

Congress

The Honorable Pete Sessions, Chairman of The Results Caucus, spoke with the inspector general community on February 10, 1999. Congressman Sessions is a proponent of reductions in Federal spending as well as the elimination of fraud, waste and abuse, and is a strong advocate for many issues that are of importance to the inspector general community. He intends to promote interactive sessions with the inspectors general and members of the oversight community in the executive branch and in Congress to strengthen relationships that will better serve the interests of the American taxpayer.

GAO

The IG Act states that each inspector general shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation.

GAO initiated three reviews during this period. These were on the financial operations of the International Monetary Fund, country-of-origin labeling of imported fresh produce, and OIG semiannual reporting requirements.

The Inspector General had provided input on the semiannual reporting requirements in a broader scope survey instrument in the prior reporting period. In November 1998, she participated in a focus group meeting with ECIE inspectors general to discuss the semiannual reporting requirements.

GAO issued one report entitled:

-- Information on Operational and Staffing Issues (GAO/AIMD-99-29), January 4, 1999.

The Commission is identified in an attachment as having an inspector general. This report included no recommendations for the Commission.

INFORMATION REQUIRED BY THE ACT

Certain information and statistics based on the activities accomplished during this period are required by section 5(a) of the IG Act to be included in the semiannual reports. These are set forth below:

Section 5(a)

(1), (2), (7)	OIG did not identify any significant problems, abuses or deficiencies relating to the administration of programs.
(3)	Corrective action has been completed on all significant recommendations which were described in the previous semiannual reports.
(4)	No matters were referred to prosecutorial authorities. There were no prosecutions or convictions.
(5)	No reports were made to the Chairman that information or assistance requested by the Inspector General was unreasonably refused or not provided.
(6)	A listing by subject matter is located in Attachment C.
(8), (9)	Four audit reports were issued during this period; no reports had recommendations on questioned costs or funds that could be put to better use. See Tables 1 and 2.
(10)	There are no audit reports issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.
(11)	No significant revised management decisions were made during the reporting period.
(12)	There were no significant management decisions with which I am in disagreement.

SUMMARY OF AUDIT REPORTS

Title: **Evaluation of the Commission's Efforts to Prepare for Sunset Reviews**

Report Number: IG-01-99

Report Date: October 30, 1998

Findings: The objective of this audit was to evaluate the impact of the sunset review provisions on the Commission workload, and the adequacy of the Commissions's preparation to conduct activities mandated by the Uruguay Round Agreements Act.

OIG found that the Commission complied with the requirements of the Administrative Procedures Act, and published the final sunset rules in sufficient time to meet statutory requirements. The Commission efforts to locate historical documents, obtain staff, and provide for related expenses were also sufficient to conduct sunset reviews.

The two offices with the greatest need for additional staff developed assumptions which were used as a basis for calculating workyear estimates. Based on those assumptions, the calculated workyears were fairly accurate. However, the workyear estimates were not based upon an adequate analysis of the transition duty orders. Other deficiencies involved hiring issues, such as which offices need staff, whether appointments would be on a temporary or permanent basis, and when employees would be hired.

Multiple findings involved the budget process. Some offices did not identify workyears and request staff consistent with the Budget Committee proposal. Some offices did not accurately report both workyear data and staff requests. The FY 1999 Budget Justification did not present the resources estimated by the Budget Committee as needed for the sunset reviews, but a much lower level adopted by the Commission.

OIG found that the activity code established to record hours worked on sunset reviews was improperly defined and inconsistently used. As a result, the FY 1998 data may not be useful for making future estimates and justifications for resources needed.

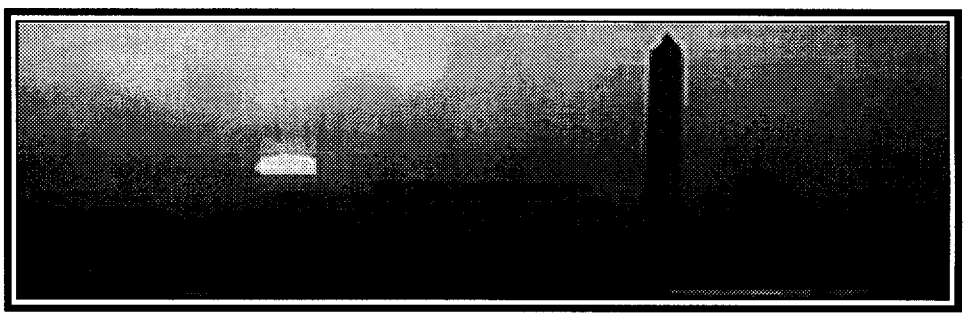
OIG also found that the estimated workyears proposed by the Budget Committee were not consistently reflected in the office budget packages for FY 1999. In addition, the workyears reported in the office budget packages did not accurately reflect the number of staff requested. The office budget packages for the FY 2000 Budget Request were reasonably consistent with the Budget Committee proposal and FY 1999 staffing plan.

Recommendations: OIG recommended that the Director of Operations, as Chair of the Budget Committee:

-- Confirm that the Commission wants to track hours spent on sunset reviews. If so, review the definition of the code and revise as necessary; and notify all office directors whose staff participate in sunset reviews that the code is to be utilized when recording time; and

-- Ensure that the Commission's FY 2000 Budget Justification accurately reflects the Commission's decisions for workyears and positions for title VII resources.

The Director of Operations and General Counsel disagreed with our finding on resource estimates, particularly that the analysis was inadequate. The Director of Operations agreed with the findings and recommendations on the budget.



Title: **Review of the Commission Methods Used to Compose Publications**

Report Number: IG-02-99

Report Date: December 24, 1998

Findings: The objective of this audit was to identify the most efficient and cost effective methods to compose Commission documents.

The Commission practice is to allow offices to decide whether and which documents will be sent to the Office of Publishing for composition. Only a third of the recent Commission publications were composed by the Office of Publishing. The Office of Investigations did not send any reports on title VII investigations, and section 337 reports do not require composition. The Office of Industries was the primary user, mostly for Industry and Trade Summaries and some section 332 reports. The Office of Economics also submitted International Economic Reviews and section 332 reports. The reports not submitted to the Office of Publishing were formatted by the program staff using word processing software.

OIG found that the Commission did not have a written policy on which documents are to be submitted to the Office of Publishing for composition, or the method to be used to compose documents. Further, the Commission did not have procedures for document preparation and submission. Program staff used multiple software packages to prepare documents with varying degrees of expertise. The Office of Publishing spent a significant amount of resources "undoing" the format drafted by program staff. Cleaning up documents is part of composition, but minimizing this step makes the process more efficient. The Office of Publishing was often not involved in the report process until it received a report for composition, and program staff generally had a poor understanding of the composition process.

Since the majority of documents were composed using word-processing packages and this method was preferred by most offices, the Commission should adopt word-processing as the standard method for composing documents.

Recommendations: OIG recommendations to the Director of Administration included that he:

-- Draft a Commission policy that addresses which documents, if any, are to be submitted to the Office of Publishing for composition, and the method to be used to compose such documents; and

-- Establish guidelines for processing documents that address the use of standardized software, and form and format of documents, timing and feedback.

The Director of Administration agreed with the need for a policy, guidelines, a training program and coordination with the program offices.

Title: **Evaluation of the Commission's Preparation for the Year 2000**

Report Number: IG-03-99

Report Date: February 9, 1999

Findings: The objective of this evaluation was to determine if progress by the Commission in addressing the year 2000 conversion is adequate, and to identify areas wherein the Commission must be pro-active to achieve the goal of complete conversion by January 1, 2000.

The scope and severity of the impact of Y2K on the Commission's mission accomplishment cannot be known with certainty. The Commission will likely experience some disruption because of the Y2K problem since it relies heavily on automated systems and components that contain embedded electronics to accomplish its mission. The extensive use of commercial products in the Commission's information technology architecture limits the Commission's ability to resolve problems, since the Commission is dependent on third parties to provide Y2K compliant solutions. This limitation is offset by efforts in recent years to replace hardware and software with commercial products that are certified to be Y2K compliant.

The extent of the impact of the Y2K problem on Commission operations was not documented or well understood. Neither of the first two phrases (awareness or assessment) in addressing Y2K were completed on a Commission-wide basis.

Although some progress had been made, the Commission had not implemented an institutional approach to the Y2K problem. The Commission had not established an oversight body, appointed a single responsible and accountable authority, developed a policy, or assigned roles and responsibilities for Y2K compliance to its organizational components. The Commission had not allocated adequate resources to understand or fix the problem.

Overall, Commission efforts to address the Y2K problem were insufficient to ensure a reasonable level of risk to uninterrupted operation in the year 2000. The Commission lacked the basic structure, tools, resources, and knowledge to provide a reasonable risk of uninterrupted operation. The Commission lacked the program management structure, orchestration of efforts, and assignment of resources necessary to tackle this problem.

Recommendations: OIG recommended that the Director of Operations:

-- Ensure that all systems susceptible to Y2K problems have been identified;

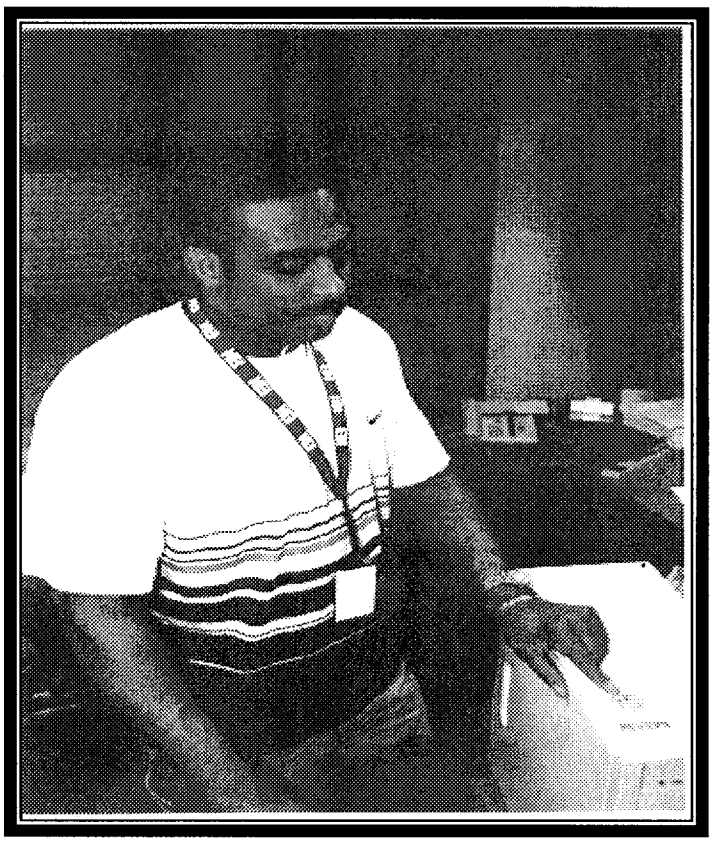
-- Assemble an integrated project team consisting of a representative for each system to coordinate Y2K efforts;

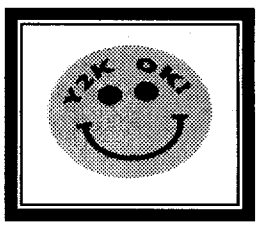
-- Develop a Y2K policy establishing the Commission's acceptable level of risk considering the potential impact of Y2K problems;

-- Increase awareness of Y2K among Commission managers and provide technical training, as time allows, for Commission employees directly involved in developing technical solutions; and

-- Develop and implement a Y2K action plan.

On January 27, 1999, the Chairman designated the Director of Operations as the agency official to oversee the Commission's efforts to prepare for Y2K. He was given the authority necessary, with the support of the Chairman, to respond to recommendations across management lines; and to effectively and decisively address concerns regarding systems located within the Office of Operations as well as in offices throughout the agency. Office directors were notified to give priority attention in providing support and resources to successfully assist the Director of Operations in preparing and implementing the agency's response.





Terry Crawford, a contract employee with the Office of Information Services, places a sticker on an employee's computer that is ready for the year 2000.

Title: **Audit of the USITC Financial Statements for Fiscal Years 1998 and 1997**

Report Number: IG-04-99

Report Date: March 31, 1999

Findings: The objectives of this audit were to issue an opinion as to the fairness of the USITC financial statements for FYs ending September 30, 1998, and 1997, in presenting the financial condition and results of operations; a statement on the adequacy of internal controls; and a statement on compliance.

The auditors expressed the following opinions:

-- The statements of the financial position of USITC as of September 30, 1998, and 1997, present fairly, in all material respects, the financial position of USITC, and the results of its operations and its cash flows for the years then ended in conformity with general accepted accounting principles, except that management has elected not to depreciate fixed assets.

-- The internal control structure and its operation were considered to have two material weaknesses: accounting for fixed assets and accounts receivable. In addition, several other areas of concern are reported in the management letter.

-- Test results disclosed no instances of noncompliance with laws and regulations applicable to USITC that would have a material effect on the financial statements.

In addition to the material internal control weaknesses, the auditors found other weaknesses in the USITC's financial management operations, as summarized below.

-- No reconciliations were performed of fixed assets in either FY 1997 or FY 1998. A number of small items, such as chairs, laptops, and software, were unnecessarily classified as fixed assets. Further, the records were not adjusted for disposition of these items.

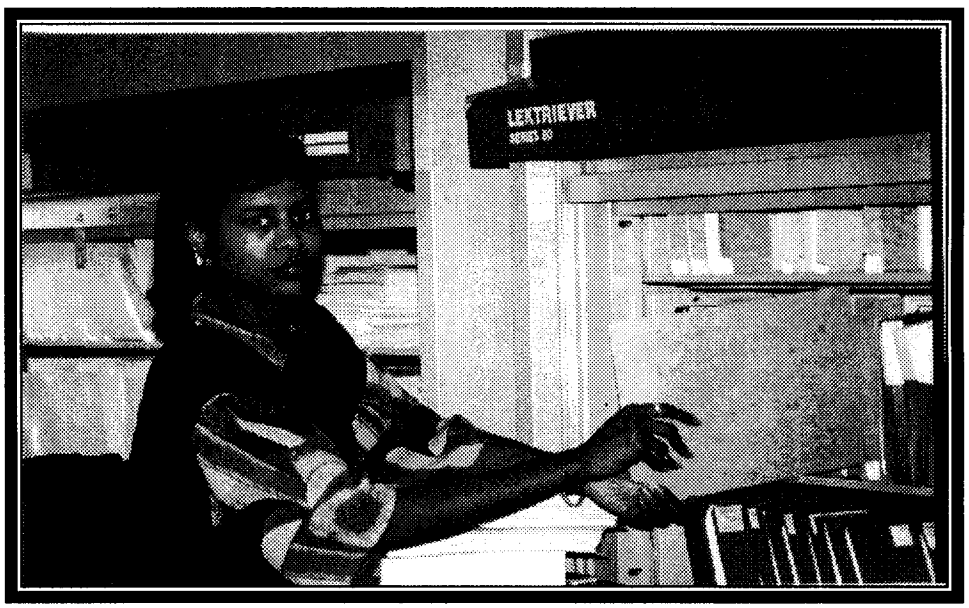
-- Procedures did not exist to ensure that accounts receivable arising from fines and penalties levied by USITC were reported to the Office of Finance and Budget and recorded. Further, procedures were often not followed in order to establish debt by USITC employees, and when indebtedness by USITC employees was established, receivables were not recorded.

-- The imprest fund operations did not comply with U.S. Treasury regulations.

Recommendations: OIG recommended that the Director of Administration ensure that USITC policy on fixed assets is followed, procedures are developed to appropriately record accounts receivable, security for automated data processing systems is improved, and U.S. Treasury requirements are followed for the imprest fund operations.

OIG also recommended that the Director of Administration seek a policy decision from the Commission as to whether financial statements are to be prepared. The Chairman approved the Director's proposal that the Office of Finance and Budget will prepare annual financial statements in accordance with the Office of Management and Budget guidelines on form and content.

The Director of Administration agreed with the findings and resolution was reached on all of the recommendations.



Letitia Thorne, Legal Documents Assistant, Office of the Secretary, at the Lektriever which is properly classified as a fixed asset.

AUDIT REPORTS BY SUBJECT MATTER

Report Title	Report Number	Questioned Costs	Unsupported Costs	Ineligible Costs	Funds To Be Put To Better Use
PUBLIC INVESTIGATIONS AND RESEARCH STUDIES					
Evaluation of the Commission's Efforts to Prepare for Sunset Reviews	IG-01-99				
ADMINISTRATION					
Review of the Commission Methods Used to Compose Publications	IG-02-99				
Audit of the USITC Financial Statements of Fiscal Years 1998 and 1997	IG-04-99				
ASSEMBLING & ANALYZING ECONOMIC AND TECHNICAL INFORMATION					
Evaluation of the Commission's Preparation for the Year 2000	IG-03-99				

Table 1

REPORTS WITH QUESTIONED COSTS

	Number of Reports	Dollar Value: Questioned Costs	Dollar Value: Unsupported Costs
A. For which no management decision has been made by the commencement of the period	0	0	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A+B)	0	0	0
C. For which a management decision was made during the reporting period	0	0	0
(i) Dollar value of disallowed costs	0	0	0
(ii) Dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within six months of issuance	0	0	0

Table 2

REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A+B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations that were agreed to by management	0	0
(ii) Dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
Reports for which no management decision was made within six months of issuance	0	0

Photographs in this semiannual report
were taken by
Keven Blake, Visual Information Specialist,
Office of Publishing